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A STUDY OF RESPONSIVENESS OF INDIAN CORPORATES TOWARDS CORPORATE SOCIAL RESPONSIBILITY

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ABSTRACT

Corporate Social Responsibility (CSR) is usually described in terms of a company considering, managing and balancing and balancing the economic, social and environmental impacts of its activities. The notion of CSR as a part of the core business operations of a company, rather than a separate 'add on' distinguishes it from corporate philanthropy which may be funded out of operations that are damaging to the communities in which business is conducted. CSR of companies has become a subject of much debate, despite this it has been unable to understand what exactly companies are supposed to do as their CSR. Is it a Philanthropy and charity? Is it a social work and something to improve the reputation of the concern or we are following only the global practices? In modern age CSR has become topic of interest among companies to fulfill their Corporate Mission. On this basis, companies all over the world contributing directly and indirectly in this regard and initiating social programmes. The companies must accept obligation to be socially responsible and wish for longer benefits of the company.

KEYWORDS: Corporate Social Responsibility (CSR), 'add on' Distinguishes, Corporate Philanthropy

INTRODUCTION

In the age of globalization corporations and business enterprises have crossed the national boundaries to become international and companies have to ensure that they establish a reputation base that would support their efforts to get respectable position worldwide. Corporate reputation is the external manifestation of corporate excellence and is built upon a company's product or service reputation, its business reputation and credibility in financial markets and its social reputation. Thus we can say that corporate social responsibility is a continuing commitment by business to behave fairly and responsibly and contribute to the economic development and improvement in the quality of life of workforce and their families and along with local community and society.

Corporate Social Responsibility is viewed as a comprehensive set of policies, practices and programmes that are integrated into business operations, supply chains, and decision-making processes throughout the organization wherever the organization does business and includes responsibility for current and past actions as well as future impacts. CSR involves addressing the legal, ethical, commercial and other expectations society has for business, and making decisions that fairly balance the claims of all key stakeholders. Effective CSR aims at "achieving commercial success in ways that honour ethical values and respect people, communities, and the natural environment." Simply put, it means "what you do, how you do it, and when and what you say." Several terms have been used interchangeably with CSR. They include business ethics, corporate citizenship, corporate accountability, sustainability and corporate responsibility. CSR typically

includes issues related to business ethics, community investment, environment, governance, human rights, the marketplace and the workplace.

Corporate Social Responsibility is a concept whereby organizations consider the interests of society by taking responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities and the environment in all aspects of their operations. Because corporate intervene in so many areas of social life, they must be responsible towards society and the environment.

DEFINING CSR

“Corporate Social Responsibility is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. European Commission the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life.”

The Co’s Act 1956, controls and regulates the activities of corporate enterprises in India. It has not made any mention with regard to social disclosures. No legislation has been passed in the parliament regarding social disclosure. But the disclosure of the details of the social overheads was made compulsory by the Bureau of Public Enterprises in 1969. Sachar Committee in 1978 felt the need for the disclosure of social responsibility information in the annual reports by the companies.

Many published annual reports were made by Indian companies which provide information on their social activities. Some of these companies are Tata Iron & Steel Company, Project and Equipments Corporation of India Ltd., Oil and natural Gas Commission, Indian Petro Chemicals Corporation ltd., Cement Corporation of India, The Mineral & Metal Trading Corporation of India, Madras Refineries, Cochin Refineries Ltd., Bharat Petroleum Corporation etc.

In India, the big corporate houses like Tata’s and Birla’s have long been associated with their employee welfare and immediate community programmes by way of engaging themselves in creating infrastructure for schools, hospitals and temples. The tradition of Tata philanthropy goes back to 1892 when Jamsetji first gave grants to two lady doctors to go abroad and specialize in gynecology. In the next hundred years the JN Tata Endowment for the higher education of Indians was to give loans to 2000 students towards their studies abroad. The book 100 Great Modern Lives by John Canning concludes: ‘Probably no other family has ever contributed as much in the way of wise guidance, economic development and advancing philanthropy, to any country as Tatas have to India’.

REVIEW OF LITERATURE

Review of Literature is an important section in any research study, which provides a critical overview of various dimensions of any subject, which have been explored over different frames, helps to understand the research methodology, research findings and to identify the gaps that exist in the literature, which motivates for the further research in this area. The following discussion is an attempt to provide an overview regarding different aspects of corporate social responsibility that has been examined both in national as well as in international context. On the basis of this critical review of literature, the objectives will be decided.

Waddocc and Graves (1997) and Hillman and Keim (2001) find that increased CSR leads to enhanced financial performance and vice versa.

Kaliski (2001) outlined that businesses can use ethical decision making to secure their businesses by making decisions that allow for government agencies to minimize their involvement with the corporation.

Verschoor and Murphy (2002) using the top 100 “Best Corporate Citizens” as reported by Business Ethics magazine, find that firms with strong social values and practices exhibit superior financial performance.

Hoeffler & Keller (2002) suggest that corporations behaving in socially responsible ways do not transgress the law. In addition, they try to make a positive impact by voluntarily contributing to various social and environmental causes. These initiatives are thought to help build brand equity by enhancing brand awareness and image and by creating a sense of community.

Orlitzky et al (2003), In his30 years of research from 52 previous studies and used mete-analytical techniques to support the proposition that CSR and corporate financial performance are positively correlated and statistically significant. Interestingly, the mete-analysis found a higher correlation between financial performance and company’s management of its social impact than between financial performance and a company’s management of its internal environment, which no doubt favors social programmers.

Geoffrey Heal (2004) proposed an economically coherent analysis of corporate social responsibility (CSR), and suggest how it is reflected in financial markets. CSR is defined as a program of actions taken to reduce externalized costs or to avoid distributional conflicts. It is an institution that has evolved in response to market failures, a Coasian solution to some problems associated with social costs.

Garriga & Mele (2004); Kotler & lee (2005) found that different terms in the literature describe the phenomena related to corporate responsibility in society: corporate social responsibility, corporate citizenship, corporate giving, corporate affairs, corporate societal marketing, social issue management, stakeholder management, corporate accountability and corporate sustainability.

Ray and Nguyen (2005), AMP Capital Investors published an analysis of the CSR rating technique it uses to manage its Sustainable Future Australian Share Fund. By applying its rating technique to the approximately 300 listed Australian companies and analyzing their financial performance from a 10 year period, it determined that companies with a higher CSR rating outperformed companies with a lower CSR rating by more than 3% per annum over a 4 and 10 year period.

Mohr and Webb (2005) indicated that corporate social responsibility had an important and positive influence on company evaluation and purchase intent. Their results showed that American consumers “reacted more strongly to negative than to positive corporate social responsibility” and that a “low price did not appear to compensate for a low level of social responsibility”.

Siegel and Vitaliano (2007) outlined that corporate social responsibility occurs when firms engage in activity that appears to advance a social agenda beyond that which is required by law, put another way, corporate social responsibility occurs when firms spend money for a social cause, sacrificing profits.

Bhattacharya and Sen (2007) studied that a corporate social responsibility initiative could build consumer trust as it signals that the company is serious about bettering social welfare (the benevolence dimension of trust) and its competent in effecting positive social change (the credibility dimension of trust).

Jose Ignacio Gala (2009) in a study, " Effects of corporate social responsibility on brand value" taking a sample of selected groups of US corporations with the best global brands through the provision of empirical indications found that corporate social responsibility pays off. The results also indicated that market based performance and the size of the corporation have a more significant impact on brand value than corporate social responsibility. It was also suggested that when optimally used, corporate social responsibility's potential contribution to brand value can be maximized.

OBJECTIVES OF STUDY

- To study the planned and actual expenditure made by corporations towards social responsibility and its impact on stakeholders.
- To study the responsiveness of indexed and non-indexed companies in terms of social obligations.

HYPOTHESIS

- **$H_{0:}$** There is no significant difference between planned and actual expenditure made by companies for Social Responsibilities.
- **$H_{1:}$** There is significant difference between planned and actual expenditure made by companies for Social Responsibilities.

RESEARCH METHODOLOGY

Research Methodology is a way to systematically solve the research problem. The Research Methodology includes the various methods and techniques for conducting a Research. The proposed work will be descriptive in nature and an attempt to make a comparative analysis between indexed and non indexed companies.

SAMPLE DESIGN

For this purpose, we examined 1000 companies in different sector and selected 84 companies, which made contribution for the purpose and tried to find relationship between this CSR (expenditure) and financial results in the year 2012-13, moving further we categorized them on the basis of index based and non index based companies.

DATA COLLECTION

Data used for study is secondary in nature and has been collected data-base maintained by Karamyog (an NGO), working for social programmes, which was established in the year 2004.

DATA ANALYSIS

Inferential statistics has been used to test the hypothesis. To find the significant difference planned and actual expenditure Chi-square test has been used at 5% level of significance.

LIMITATIONS OF THE STUDY

- Sample period used for the study is only one year.
- Sample size is here only of 84 companies, due to non availability of data.

RESULTS AND ANALYSIS

Indian companies in the previous years contributed a very small amount for social programmes and plans. There are not any standard approaches to social responsibility and the model a company adopts will depend largely on kind of objectives it seeks to achieve.

In the year 2012-13 only 84 companies contributed for CSR out of 1000 top Indian corporate and it constituted only 8.4% participation by the corporations and it is further important to see the amount spent by them is as per recommendations or not.

EXPENDITURE BY INDIAN COMPANIES ON CSR

Table 1

Sr. No.	Name of Company	Recommended Expenditure (2% of Turnover) Rs in Crores	Actual Amount Spent (Rs in Crores)
1.	Reliance Industries	377.07	357.05
2.	Oil And Natural Gas Corporation	405.42	261.58
3.	Tata Consultancy Services	161.09	65.21
4.	ITC	101.41	82.34
5.	NTPC	180.35	79.53
6.	State Bank of India	194.25	123.27
7.	Bharti Airtel	152.48	29.56
8.	HDFC Bank	80.27	39.01
9.	Wipro	93.29	14.13
10.	ICICI Bank	104.27	116.55
11.	Hindustan Unilever	47.99	69.09
12.	Larsen & Toubro	85.26	73.16
13.	MMTC	2.71	2.10
14.	Tata Motors	35.29	19.14
15.	Indian Oil Corporation	80.08	144.13
16.	Cairn India	20.50	NA*
17.	Bharati Heavy Electricals	115.75	63.00
18.	Sun Pharmaceutical Industries	28.01	4.55
19.	Jindal Steel & Power	37.69	99.14
20.	Power Grid Corporation Of India	53.27	21.75
21.	Bajaj Auto	53.63	51.73
22.	GAIL (India)	69.03	64.65
23.	Axis Bank	67.63	42.42
24.	Tata Steel	124.05	170.59
25.	Nestle India	16.29	24.54
26.	Mahindra & Mahindra	50.85	33.52
27.	Ultratech Cement	32.95	43.40
28.	Hero Motocorp	43.58	1.27
29.	Kotak Mahindra Bank	16.43	4.08
30.	Maruti Suzuki India	42.80	18.90

Table 1 – Cond.,			
31.	Steel Authority of India	101.33	32.55
32.	Adani Enterprises	5.89	15.57
33.	DLF	20.50	6.81
34.	Reliance Power	5.71	10.70
35.	Bank of Baroda	82.03	7.17
36.	Asian Paints (India)	16.71	0.98
37.	Oil India	59.63	41.28
38.	Dr. Reddy'S Laboratories	17.67	16.82
39.	Punjab National Bank	88.15	3.32
40.	Ambuja Cements	24.73	39.82
41.	Bosch	17.13	5.75
42.	Adani Ports & SEZ	19.09	25.78
43.	ACC	27.01	25.60
44.	Bharat Petroleum Corporation	29.30	17.88
45.	Hindalco Industries	41.93	29.79
46.	Hindustan Copper	4.68	5.11
47.	Cipla	21.10	7.65
48.	Power Finance Corporation	57.88	22.10
49.	NHPC	46.85	15.73
50.	Grasim Industries	29.67	25.30
51.	Tata Power	20.38	7.88
52.	Lupin	15.08	9.32
53.	Oracle Financial Services Software	18.11	0.00
54.	Canara Bank	68.87	11.20
55.	IDFC	25.65	31.21
56.	Titan Industries	8.53	2.97
57.	Bank of India	46.04	1.10
58.	Glaxosmithkline Pharmaceuticals	10.37	3.69
59.	ABB	4.01	2.74
60.	Jaiprakash Associates	26.01	28.81
61.	Reliance Communications	NA*	2.62
62.	Ranbaxy Laboratories	NA*	4.26
63.	Sesa Goa	63.65	22.59
64.	Godrej Consumer Products	8.58	3.07
65.	Jsw Steel	37.72	24.85
66.	Cadila Healthcare	11.80	7.98
67.	Reliance Infrastructure	28.21	6.40
68.	Colgate-Palmolive (India)	8.47	9.92
69.	Indusind Bank	11.53	9.12
70.	Adani Power	2.66	6.50
71.	Neyveli Lignite Corporation	26.37	14.59
72.	United Breweries	2.47	1.72
73.	National Aluminium Company	18.22	30.99
74.	Cummins India	10.84	7.00

Table 1 – Cond.,			
75.	Shriram Transport Finance Company	22.39	5.58
76.	Yes Bank	14.54	6.50
77.	Exide Industries	11.09	1.25
78.	Petronet LNG	13.87	3.68
79.	LIC Housing Finance	17.00	13.89
80.	Zee Entertainment Enterprises	10.83	1.41
81.	Union Bank of India	39.61	0.76
82.	Container Corporation Of India	16.93	4.38
83.	Bharat Electronics	16.08	4.21
84.	Glaxosmithkline Consumer Healthcare	5.92	0.01

**** Losses in previous years***

After applying the Chi-square test we found that calculated value is more than tabulated value at 5% level of significance, which shows that there is a significant difference between observed and expected expenditure and can be concluded that companies are not sincere towards their social programmes and their expenditure level is required to be increased, which rejects the null hypothesis.

Moving further, 84 companies are sub divided into four groups on the basis of how much they spent on CSR in FY 12-13, keeping in mind the 2% clause which has come into effect, four grades were set. Companies that spent more than 2% of their average profits of the previous three years in FY 12-13 were categorized under Grade A; those who spent between 1 and 2% under Grade B; those who spent between 1 to .5% under Grade C and companies that spent lower than that in the last category, i.e. Grade D. Among the top 100 companies, only 16 fell under Grade A; 28 came under Grade B and 22 in Grade C. A total of 16 companies in the Top 100 list spent more than 5% of their profits on CSR, with one company admitting it has not spent anything. While information for 16 companies was not available at the time of writing this paoer, 3 companies spent on CSR, despite incurring losses in FY 12-13.

GRADE A

Table 2

S No.	Companies	Actual Expenditure in Terms if % of Net Profit
1	Adani Enterprises	5.28%
2	Jindal Steel & Power	5.26%
3	Adani Power	4.89%
4	Reliance Power	3.75%
5	National Aluminium Company	3.40%
6	Ambuja Cements	3.22%
7	Nestle India	3.01%
8	Hindustan Unilever	2.88%
9	Tata Steel	2.75%
10	Adani Ports & Special Economic Zone	2.70%
11	Ultratech Cement	2.63%
12	IDFC	2.43%
13	Colgate-Palmolive (India)	2.34%
14	ICICI Bank	2.24%
15	Jaiprakash Associates	2.22%
16	Hindustan Copper	2.18%

GRADE B

Table 3

Sr No.	Companies	%
1	Bajaj Auto	1.93%
2	Dr. Reddy'S Laboratories	1.90%
3	ACC	1.90%
4	Reliance Industries	1.89%
5	Gail (India)	1.87%
6	Larsen & Toubro	1.72%
7	Grasim Industries	1.71%
8	LIC Housing Finance	1.63%
9	Indusind Bank	1.62%
10	MMTC	1.58%
11	Hindalco Industries	1.55%
12	United Breweries	1.42%
13	Oil India Limited	1.39%
14	Oil India Limited	1.38%
15	ABB Oil India Limited	1.37%
16	Cadila Healthcare	1.35%
17	Mahindra & Mahindra	1.32%
18	JSW Steel	1.32%
19	Cummins India	1.29%
20	Oil And Natural Gas Corporation	1.29%
21	State Bank Of India	1.27%
22	Axis Bank	1.25%
23	Lupin	1.24%
24	Bharat Petroleum Corporation	1.22%
25	Indian Oil Corporation	1.11%
26	Naively Lignite Corporation	1.11%
27	Bharat Heavy Electricals	1.09%
28	Tata Motors	1.09%

GROUP C

Table 4

HDFC Bank	Sesa Goa
Yes Bank	Titan Industries
Maruti Suzuki India	NHPC
NTPC	Bosch
Power Grid Corporation Of India	DLF
Tata Consultancy Services	Steel Authority Of India
Tata Power	Petronet LNG
Power Finance Corporation	Bharat Electronics
Cipla	Container Corporation Of India
Godrej Consumer Products	Shriram Transport Finance Company
Glaxosmithkline Pharmaceuticals	Kotak Mahindra Bank

GROUP D

Table 5

Reliance Infrastructure	Asian Paints
Bharti Airtel	Punjab National Bank
Canara Bank	Hero Motocorp
Sun Pharmaceutical Industries	Bank of India
Wipro	Union Bank of India
Zee Entertainment Enterprises	Glaxosmithkline Consumer Healthcare
Exide Industries	Oracle Financial Services Software
Bank of Baroda	

FINDINGS OF THE STUDY

- Indian companies are using descriptive measures for corporate social reporting.
- Many companies are not using the suggested format.
- Only 84 companies contributed money for social programmes.
- Out of this sample, majority contributed less than recommended budget.
- Many companies have not provided (sufficient) information on resource consumption.
- Sustainable sourcing as a subject has not been addressed by many companies, either due to lack of understanding or due to lack of initiatives. There's a need to define what sustainable sourcing entails.

CONCLUSIONS

No doubt, Indian companies are aware about CSR, but corporations are irresponsible in this regard. Our accounting system is not encouraging the practices to adopt new and innovative measures for corporate social disclosures. Our corporations are adopting descriptive measure for this purpose and even a few public companies are following these practices. There is need to adopt global measures. If companies are not contributing reasonable amount for social programmes, the government and regulatory authorities have to take some concrete steps for the betterment of society.

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